

TO: Marla Antonoff

FROM: Renee V.H. Simons

SUBJECT: Preliminary 1989 Promotion
Direction on Benson & Hedges

DATE: May 4, 1988

This provides initial 1989 program direction as well as my comments on the issues you raised in your 4/28 memo.

1989 Objectives/Strategies

As we begin our preliminary discussions regarding 1989 promotional programs, I think it is important to review our current objectives and strategies and provide initial direction for any needed strategic changes. To a large extent, the strategic mission will remain the same. (See attached highlights of 1988 Brand Plan and specific marketing elements).

For 1989, it will be important to focus upon younger, pack buyers. Accordingly, the basic Promotional objectives and strategies are as follows preliminarily:

Objectives:

- o Increase volume and share nationally with added emphasis in important key markets.
- o Provide a quality reassurance message to encourage retrieval and purchase continuity among current users (primarily) and competitive users (secondarily).
- o Maintain usage among 35 + smokers and regain usage among younger smokers 22-34.

Strategies:

- o Provide "added value" promotional concepts which leverage Benson & Hedges' Quality Choices and Command Performance properties, wherever feasible.
- o Develop concepts which target younger pack outlet purchasers-both competitive (primarily) and current smokers (secondarily).
- o Develop concepts which target current carton outlet purchasers with emphasis upon purchase continuity among current smokers. (Includes media delivered programs which tend to target older, carton users).

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Other Comments

Strategically, we should continue pursuing both the Quality Matters and Command Performance programs. We should continue our development in these areas for several reasons. Benson & Hedges can:

- o leverage the quality and lifestyle imagery through these borrowed interest concepts.
- o build unique and preemptive equity in these added value properties.
- o build/capitalize upon events Command Performance awareness and momentum particularly among younger consumers.
- o reinforce and leverage the distinctive character and imagery of Quality Choices, particularly among other more established and discriminating consumers.

Importantly, we will still need to develop traditional value added incentives (in keeping with Brand imagery) for key market programs and short term volume requirements.

With regard to the video concepts, it seems that the program can be umbrellaed under either Command Performance or Quality Choices.

Command Performance

- o video taping of event
- o classic movie tape offer
- o special movie-ticket offers

Quality Choices

- o travel and leisure video
- o video club of current and classic movies

Clearly, the use of videos is an up and coming medium which fits strategically with the Brands lifestyle imagery.

The key caution with regard to video is to avoid going off strategy given the current 59% penetration of VCR's and demographic skews. As an example - the Life Goes To The Movies concept may skew older as would a promotion which builds to an Academy Award Sweepstakes. Tying these programs to a pack offer in pack outlets may be going at cross purposes. On the other hand a free movie ticket/2 pack offer may be strong in pack outlets. However, positioning it under one of the two umbrellas may be difficult in isolation. In isolation, the question could be asked why is Benson & Hedges offering free movie tickets. (i.e. what is the positioning link?).

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The movie trailer video is only relevant, in my view, as a video club continuity concept. Providing advance movie trailers to consumers is a unique promotional idea but does not provide unique information to consumers. By the time a movie is released, most consumers are fairly familiar with the scope of each movie (given broadcast, print and in-movie house trailers)

Issues

As we plan for the 1989 promotions, we should consider these issues.

- o Brand priority is to build awareness of Quality Choices and Command Performance trademarks in 1989.
- o Benson & Hedges should plan to have one promotion each quarter, taking under consideration regional market needs and budget limitations.
- o Invariably, Marlboro gets one 1st quarter PPP window. Therefore, we should aim for a January window, realizing that we may get February or March.
- o Brand needs a coffer of traditional incentives for key accounts/markets. (i.e. lighters, ashtrays, cigarette cases etc.).
- o Quality Choices will take time to evaluate and develop for 1989. However, I am tentatively hoping we can publish another Spring collection.
- o Strategically, it makes sense to seed the video club concept as part of Quality Choices first before we launch a national video program. This is in an effort to avoid diluting the Quality Choices concept or letting video (the tail) wag the bigger umbrella idea - Quality Choices.
- o As a note, a Command Performance event video could be offered outside of the Quality Choices concept. At least one event-related retail promotion should be scheduled for pack and carton outlets.

Overall, our preliminary plans for 1989 are ambitious but achievable if we focus our efforts on the above delineated areas. Obviously, we will still need to narrow the scope of these areas as we refine the general Plan direction.

Let's discuss.

CC: E. LaBauve
C. Leiber
E. Merlo
A. O'Neill

S. Reich
B. Schuyler
J. Spector
A. Weinrib (Wells, Rich, Greene)

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1988 BRAND OBJECTIVES/STRATEGIES

Objectives

- ° Deliver 22.5 billion in units in 1988, down -6.3% vs. 1987.
- ° Continue defending the franchise and hold the 1987 share of industry decline to -0.15 at 4.07.
- ° Maintain 1987 total share of smokers at 4.00.
- ° Increase total net contribution +13.6% to \$405.5 million. Per thousand unit net contribution will increase from \$14.88 to \$18.21 (+22.4%).
- ° Continue to establish and reinforce new image/positioning "For People Who Like To Smoke ... Benson & Hedges Because Quality Matters."
- ° Increase 1987 unaided and total Brand advertising awareness at least +5% to 21% and 51% respectively.

Strategies

- ° Maintain current users by limiting competitive attrition and by reinforcing purchase continuity among consumers 22 - 44 years of age.
- ° Maintain 1987 share of media spending to continue emphasis upon new creative and to continue remedial efforts against historic, diffused imagery.
- ° Increase promotional weight to include emphasis upon event and consumer promotions.
- ° Create broad impact, added value programs/support to distinguish Benson & Hedges from other brands.
- ° Aggressively support Brand against competitive inroads in key target markets with particular emphasis in high potential menthol, ultra lights and lights markets.
- ° Continue supporting Lights Box to reinforce its earlier introduction and to increase consumer awareness of the new line extension.

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1988 BRAND OBJECTIVES/STRATEGIES

Consumer Incentives

- ° Provide quality reassurance message.
- ° Reward the continued purchase of Benson & Hedges among current smokers at the expense of competitive purchases.

Couponing/Direct Marketing

- ° Increase current smoker base.

Sampling/Product Promotions

- ° Encourage retrial and brand switching among former and competitive smokers.

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